

Message Text

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SUBJ: CIVAIR-SALE OF MEDIUM RANGE JETS TO ROMANIA

REFS: A) BUCHAREST 1946, B) BUCHAREST 1138

1. RENEWED ACTIVITY AND INTEREST AMONG ROMANIAN OFFICIALS AND FOREIGN TRADE ORGANIZATIONS IN PURCHASE OF FIVE MEDIUM-RANGE JET AIRCRAFT INDICATE THAT DECISION ON THE PROJECT COULD POSSIBLY COME EARLIER THAN PLANNED (REFTELS). BOTH BOEING AND DOUGLAS REPS HAVE BEEN CALLED IN RECENTLY TO DISCUSS THEIR PROPOSALS AND ARE BEING PRESSED TO HAVE ALL DOCUMENTATION IN AS SOON AS POSSIBLE. ACCORDING TO ROMANIAN OFFICIALS, CURRENT DEADLINE FOR GATHERING ALL DATA IS JULY 31, AND DECISION ON WHICH FIRM WILL RECEIVE CONTRACT SHOULD BE MADE SOMETIME WITHIN NEXT ONE OR TWO WEEKS. BRITISH BAC OFFICIALS ARE ALSO IN TOWN AND, ACCORDING TO BRITISH EMBASSY COMMERCIAL OFFICER, HAVE BEEN VERY "ACTIVE"; BRITISH HAVE ALSO BEEN GIVEN DEADLINE OF JULY 31 FOR PRESENTATION OF ALL TECHNICAL AND COMMERCIAL DATA, AND ARE EXPECTING ROMANIAN DECISION "VERY SOON". COMMENT: ROMANIAN "DEADLINES" HAVE A WAY OF BEING EXTENDED, IT SEEMS, ALMOST INDEFINITELY. IT IS APPARENT, NEVERTHELESS, THAT THE PROJECT HAS BEEN TURNED ON AGAIN, AND COMPETITORS ARE AGAIN SCRAMBLING FOR POSITION.

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2. COUNTERPURCHASE FEATURE OF PROPOSALS STILL APPEARS TO BE

IMPORTANT FACTOR IN FINAL DECISION (REFTEL A) AS IS PROJECT FINANCING, ESPECIALLY IN VIEW OF RECENT UPWARD TREND OF INTEREST RATES. IN THIS RESPECT, DOUGLAS REPS WERE TOLD BY GOR OFFICIALS DURING DISCUSSION OF COMPETITIVE FINANCING THAT BRITISH WERE OFFERING TERMS OF 6 PERCENT FIXED INTEREST OVER 10 YEAR PERIOD COVERING 80 PERCENT OF PROJECT VALUE (TOTAL PROJECT ESTIMATED AT ABOUT \$50 MILLION). ACCORDING TO INFORMATION AVAILABLE TO US HERE FROM BRITISH EMASSY SOURCES, WE UNDERSTAND THAT BRITISH GOVERNMENT GUARANTEE FINANCING IS NORMALLY LIMITED TO A RANGE BETWEEN ABOUT 7 PERCENT AND 8.5 PERCENT INTEREST, AND CAN BE APPLIED TO AS MUCH AS 85 PERCENT OF PROJECT VALUE. BRITISH EMBOFF DID SAY, HOWEVER, THAT "SPECIAL PROGRAMS" ARE AVAILABLE FOR FINANCING AIRCRAFT SALES. IN ANY CASE, FINANCING COULD BE IMPORTANT COMPETITIVE FACTOR FAVORING BRITISH.

3. CONCERNING THIRD COUNTRY COMPETITIVE POSITION, BRITISH APPEAR VERY CONFIDENT, PROBABLY BECAUSE OF EARLIER SUCCESSFUL SALES OF BAC-111 AIRCRAFT TO ROMANIA, CURRENT AGREEMENT FOR CONSTRUCTING LIGHT PLANES IN ROMANIA, AND POSSIBLY VER COMPETITIVE PRICE AND FINANCING TERMS FOR CONTRACT BIDDING TO GAIR EXPORT SALES FOR LAGGING AIRCRAFT INDUSTRY. IN MEANTIME, WE ARE TAKING EVERY OPPORTUNITY TO URGE THAT CONTRACT GO TO A US FIRM.

4. WE APPRECIATE THE DEPARTMENT CONTINUING TO INFORM US OF NEW DEVELOPMENTS IN EXIMBANK PROGRAM, AND, IN VIEW OF STRONG THIRD COUNTRY COMPETITION, WOULD URGE FAVORABLE EXIMBANK CONSIDERATION OF ANY REQUESTS FOR FINANCING FROM US AIRCRAFT FIRMS.

BARNES

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